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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC WGR 1/166

18 June 1962

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
1-14 June 1962

In mid-May Cuba and the USSR signed a supplementary trade protocol that calls for a substantially higher trade turnover in 1962 than originally planned. In view of Cuba's severely curtailed export potential, it appears that additional Soviet deliveries (consisting of vehicles, steel, coal, and food) will account for the entire trade increase of \$50 million provided by the new protocol. It is unclear how Cuba, which has no foreign exchange reserves, will pay for these deliveries in the absence of credit. In addition to the new Soviet protocol, Cuba has signed supplementary agreements with Czechoslovakia, Hungary, and Rumania and is also negotiating supplementary agreements with Poland and Bulgaria.

A Soviet-Afghan protocol signed on 17 May provides for new Soviet economic assistance of almost \$90 million. The new credit, which brings the total Soviet assistance to Afghanistan to more than a half billion dollars, apparently is required to cover increased costs incurred in completing major Soviet developmental projects, including the Salang Pass highway project and the Darunta irrigation project -- both of which were allocated funds under previous Soviet credits.

Several recent developments have occurred in Mali's ties with the Bloc. Bulgaria and Mali have concluded contracts under the January credit agreement for the establishment of a state farm valued at \$350,000. The recently announced terms of the Chinese credit extended to Mali in September 1961 include the provision of goods and services valued at \$19.6 million, with repayment over a 10-year period beginning in 1971. So far, there has been no announcement of additional Soviet aid following Mali President Keita's recent visit to the USSR.

On 28 May the governments of Ceylon and Communist China renewed for another 5 years the 1957 grant of \$15.8 million under which Ceylon was to receive Chinese industrial goods. Approximately \$11 million of the total had already been obligated for textile machinery and railroad rolling stock, but so far no drawings are believed to have been made.

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The possibility that India will purchase Soviet MIG's and eventually will manufacture them -- a proposal of Defense Minister Krishna Menon's that recently won considerable support from the Indian Parliament -- appeared even more probable following Nehru's statement, in a news conference of 13 June, that MIG-21 aircraft seemed to be "the most suitable" planes to meet India's needs and that negotiations for the purchase were continuing. India has previously purchased Soviet helicopters and transport aircraft, including very recently a reported purchase of 24 An-12 transports.

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C O N T E N T S

	<u>Page</u>
I. Latin America	1
Cuban Supplementary Trade Protocols with Bloc Countries	1
II. Africa	2
Recent Developments in Bloc Aid to Mali	2
III. Asia	3
A. Additional Soviet Credit to Afghanistan	3
B. Renewal by Ceylon and Communist China of a Five-Year Aid Agreement	4
C. Indian Purchases of Aircraft from the USSR	5
IV. Brief Notes	5

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Next 4 Page(s) In Document Exempt

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